

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7464

BILL NUMBER: HB 1540

NOTE PREPARED: Jan 8, 2009

BILL AMENDED:

SUBJECT: Monroe County Food and Beverage Tax.

FIRST AUTHOR: Rep. Welch

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill permits Monroe County to impose a county food and beverage tax of 1% of the gross retail income received by a food and beverage merchant. The bill provides for the distribution of county food and beverage tax revenue. The bill establishes a local advisory commission to assist and coordinate efforts of the county and city fiscal bodies regarding the utilization of food and beverage tax revenue.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of State Revenue (DOR) administers, audits, and collects local taxes at approximately \$0.54 per \$100 of revenue. The DOR could process the proposed tax within their existing level of resources. However, the County would have the option to collect and process the tax locally, which would eliminate the additional cost imposed on the DOR by this proposal.

Explanation of State Revenues:

Explanation of Local Expenditures: Upon adoption of a food and beverage tax ordinance, the Monroe County Fiscal Body would be required to send a certified copy of the ordinance to the DOR. The effective date of an ordinance adopted by the Fiscal Body must be after December 31, 2009.

Explanation of Local Revenues: *Summary-* Assuming an ordinance effective date of January 1, 2010, a 1% food and beverage tax in Monroe County would yield \$1.8 M in CY 2010 and \$2.5 M in CY 2011. However, the actual revenue amounts would be dependent on the effective date of the ordinance.

Distribution of Revenues- It is estimated that 87.9% of all Monroe County food and beverage establishments

are located within Bloomington. Therefore, if 87.9% of the revenue generated from the proposed countywide tax went to Bloomington, the city could see an estimated \$1.59 M in CY 2010 and \$2.2 M in CY 2011. (The city estimate assumes a tax ordinance effective date of January 2010.) The remaining revenue would be retained by the County.

Revenue Use- The County and City would be able to use the revenue for a convention center, conference center, or related tourism and economic development projects.

Methodology- The U.S. Bureau of Census reported food and beverage transactions in Monroe County of \$174.7 M in 2002, which is \$1.7 M at a rate of 1%. A 10% adjustment is applied to account for unreported sale of prepared food items in supermarkets and snack shops (within large retail gas facilities). Sales tax actual and Indiana Revenue Technical Committee growth forecast rates are used to reach the estimated revenue of \$2.4 M in CY 2010. The 2010 estimate was then adjusted by (3/4) to account for time to implement and begin collecting the tax.

State Agencies Affected: Department of State Revenue

Local Agencies Affected: Monroe County, City of Bloomington.

Information Sources: DOR, US Bureau of Census.

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